EARN WELL
United Way
United Way of Tarrant County

PATHFINDERS

Budgeting Toolkit

Pathfinders is a 501(c)(3) non-profit organization that assists families on their way to economic self-sufficiency. As a partner in The United Way of Tarrant County's Financial Stability Initiative, Family **Pathfinders** provides financial coaching to low and moderate income people who are trying to improve their financial outlook.

Financial coaching goes beyond financial education to focus on individual financial practices that will lead to financial stability. This is your opportunity to work with a trained financial coach to identify changes you can make to attain your goals.

Benefits of Budgeting

- Having a spending plan puts you in control of your money rather than your money having control over you.
- A budget can help you reduce debt and stress, make purchases you need and save money for the future.
- Having a thorough picture of your spending habits can help you make better choices.

Cash flow

- You have money coming in and money going out. The difference between the two determines the difference between positive or negative cash flow.
- Positive cash flow means you can pay your bills on time and cover any other immediate expenses, plus have money left over to use as you wish.
- Negative cash flow means you are **spending more** money than you are bringing in, and that needs attention.

How a budget works

- A budget is a plan that allows you to set spending goals and track your actual cash flow.
- It is usually a month-to-month projection of how much you will spend on what.
    - ♦ When you make a purchase or pay a bill, write it down and subtract it from the total you planned for.
    - ♦ If you spend more than you planned for, either cut back or revise your budget.
    - ♦ A budget works best when you track ALL spending, even a bottle of water from a vending machine.

What goes into a budget

- Put your expenses through two sets of filters:
    - ♦ Fixed vs. Variable Expenses
        - ▪ Fixed expenses are ones that do not vary in amount from payment to payment (mortgage, insurance premiums, loans, car payment, etc.)

- Variable expenses are those that may change in amount from one monthly payment to the next (groceries, utility bills, gas, etc.)

- Essential vs. Desirable Expenses (needs vs. wants)
  - Essential expenses are ones that are impossible to do without (food).
    - The only way to reduce these expenses is to plan carefully.
  - Desirable expenses are ones you can do without but would rather not (cable, new TV).
    - You can choose to postpone these purchases until you've saved enough to pay for them.

The important thing to remember is that a budget is supposed to be flexible. You can make up for the added expenses in any number of ways, just don't ignore them.

Pay yourself first

- Think of your savings as an expense, just like food or housing, and include it in your budget.
- Make saving part of each paycheck a priority, every cent counts!
- It's a good goal to set aside three to six months' worth of living expenses in an emergency fund for unexpected expenses.

Money saving tips

- Reinvest any money you make.
- Bring lunch to work one day a week.
- Write yourself a check at the end of each month when you pay your bills, forcing yourself to save.
- Wash your car by hand.
- Take advantage of matched-savings programs.
- Eliminate one fast-food meal a week.
- Shop with coupons, Groupons, Amazon Local, and others, but read the fine print!

Budgeting tips

1. Stick with it!
   - Budgeting takes sustained effort to see the effects.
2. Keep it simple
   - Be realistic with your spending habits; don't force yourself to eliminate things you enjoy. Instead, cut back on how often you do them.
3. Don't forget the small stuff
   - Small expenditures can add up; be sure to include those in your spending plan.